



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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August 14, 2009

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", written over a horizontal line.

## SACRAMENTO UPDATE

This memorandum provides an update regarding the State Controller's plan to stop issuing registered warrants; a summary of all the actions included in the FY 2009-10 Revised State Budget Act which have a direct impact on County operations and services; a pursuit of County position on prison population and State Budget reduction proposals; and information regarding the termination of health coverage for children under the Healthy Families Program.

### State Controller Announcement Regarding Registered Warrants

Yesterday, State Controller John Chiang announced that he plans to stop issuing registered warrants (also known as IOUs) on September 4, 2009 based on a review of the State's projected cash flow from the recently enacted changes to the FY 2009-10 State Budget Act. The Controller began issuing IOUs on July 2, 2009 because the State faced a \$2.8 billion cash deficit during that month and it lacked sufficient funds to meet its financial obligations.

In his press release, the State Controller indicated that he has advised the Governor, the State Treasurer and the Legislative Leaders that the current projections indicate that the State will need to borrow \$10.5 billion to meet its cash needs for the current fiscal year. Based on the State Treasurer's assurance that he will be able to obtain an interim loan of \$1.5 billion before the end of this month, the State Controller will recommend to

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the Pooled Money Investment Board, at an emergency meeting on August 21, 2009, that the State stop issuing IOUs and begin redemption of previously issued IOUs on September 4, 2009.

### **State Budget**

As reported in the July 30, 2009 Sacramento Update, Governor Schwarzenegger signed ABx4 1, the Omnibus Budget Bill, and 27 budget trailer bills which amend the FY 2009-10 State Budget Act enacted in February 2009. The revised budget includes an additional \$16.1 billion in expenditure reductions, which fall most heavily on education, health and human services, and corrections programs, and it contains \$8.0 billion in other budget solutions achieved through a combination of fund shifts, revenue increases and borrowing primarily from local governments.

As a result of the Assembly's inability to reach an agreement to approve a Big Five proposal which would have allowed the shift of \$1.0 billion in gasoline tax revenues from local governments to the State in FY 2009-10, on July 28, 2009, the Governor used his line-item veto authority to balance the budget package by reducing State spending by an additional \$489.0 million and establishing a \$500.0 million reserve. The majority of the Governor's veto reductions, \$394.0 million, occurred in health and human services programs.

Senate President pro Tempore Darrell Steinberg and Assembly Speaker Karen Bass expressed strong disappointment in the Governor's vetoes, and on August 10, 2009, Senator Steinberg filed a personal lawsuit alleging that the Governor overstepped his authority using the line-item veto. Senator Steinberg has vowed to pursue restoration of the line-item reductions to health and human services programs when the Legislature reconvenes from its summer recess on Monday, August 17, 2009.

### **Overall County Impact**

Based on a final review of the FY 2009-10 Revised State Budget Act, the following three budget components would have a major impact on the County.

- **\$276.7 million estimated County loss** due to funding reductions in health, public health, mental health, social services, justice, and general government programs;
- **\$301.9 million estimated impact to the County General Fund and \$59.0 million to Special Districts** as a result of the State borrowing of property taxes pursuant to the suspension of Proposition 1A of 2004. It is anticipated that the impact of Proposition 1A borrowing could be mitigated through the issuance

of bonds backed by the State's obligation to repay the borrowed funds by June 30, 2013 with interest; and

- **\$313.0 million estimated loss** to the County General Fund in future years, based on net present value, due to the one-year extension of redevelopment projects, without a finding of blight.

Attachment I contains the estimated County fiscal impact from the approved funding reductions included in the FY 2009-10 Revised State Budget Act, and Attachment II provides an overview of the programmatic impact.

### **Pursuit of County Position on Prison Population and State Budget Reduction Proposals**

When it returns next week, the Legislature will be considering legislation to achieve the \$1.2 billion in unallocated reductions to the California Department of Corrections and Rehabilitation (CDCR) approved as part of the FY 2009-10 Revised State Budget Act. The Administration's proposal, which is expected to include policy reforms in the areas of parole, custody, and program credits, would result in a reduction to the State prison population of over 27,000 inmates. In addition to the \$1.2 billion unallocated reduction, on August 4, 2009, the Federal Court ordered the State to develop a plan within 45 days to reduce the prison population by over 40,000 inmates over the next two years.

In September 2008, at the request of the California State Association of Counties (CSAC), the County participated in a survey regarding the impact on county health and social services programs of a prison population cap or the early release of State prisoners. A copy of the County's response to the survey is included as Attachment III. Based on the assumption that an estimated 13,155 prisoners would be released and settle in Los Angeles County, this office in collaboration with affected County departments, identified the following impacts to key County programs and services:

- **Mental Health Programs:** Assuming that 20 percent of State prisoners released into the County would require mental health services, the Department of Mental Health (DMH) determined that an estimated 2,630 individuals requiring services would overwhelm the CDCR Parole Outpatient Clinics resulting in a cascading impact on the inpatient and outpatient resources of the Department, including mental health services provided in County jails. DMH further noted that the increased pressure would severely strain its resources and ability to maintain a balanced budget and to recruit and maintain clinicians, particularly psychiatrists, to meet the additional mental health service needs.

- **Public Health Programs:** Assuming that 70 percent of State prisoners released into the County would have a history of substance use and abuse, the Department of Public Health (DPH) estimated that 3,150 individuals would be likely to require alcohol and drug treatment services annually. In addition, DPH noted that the nature and intensity of services for parolees is significantly higher than what is required for the normal population. If 3,150 parolees released into the County enter treatment each year, based on an estimated \$6,167 to serve each parolee, DPH estimated a minimum cost of \$19.4 million annually to serve these individuals.
- **Health Services Programs:** Because there was no information provided about the released parolees, including what percentage have medical needs, the Department of Health Services (DHS) found that it was impossible to determine the impact on County operations and services. However, DHS noted that although it was unclear how many of the early released prisoners would have medical needs, their lack of financial resources may lead them to seek care in public hospitals, increasing the demand on already overcrowded emergency departments (EDs). In addition, the burden will not end at public hospitals, because patients seeking care would go directly to the closest ED, which may be at a private hospital. Under existing Federal laws, all patients must receive care, at least in the form of a medical screening examination and stabilization. Transfers from private to public hospitals are limited due to lack of capacity. Clinic services are also already stressed beyond capacity and many public or public contracted clinics having lengthy wait times for appointments.
- **General Relief Program:** The Department of Public Social Services (DPSS) indicated that the County would be significantly impacted by the early release of the projected 13,155 prisoners because many would be eligible for the General Relief Program. DPSS estimated that if 50 percent of the 13,155 released prisoners applied and were determined eligible for General Relief, the County's annual General Relief grant costs would increase by an estimated \$12.0 million annually. The Department also indicated the immediate release of these prisoners would severely impact the County's capability to provide timely service to those applying for assistance, as well as to those persons receiving assistance.

This office is currently working with all the affected County departments, the Sacramento advocates and statewide organizations to update that analysis given the recent Federal Court order and the enacted \$1.2 billion unallocated budget reduction to CDCR. This information will be utilized to advocate the County's interests as prison population reduction proposals are developed.

Consistent with Board policy to support local government participation with appropriate State agencies in post-release program planning at State prisons for those inmates to be released in the County for the purpose of providing those inmates with effective treatment programs consistent with the maintenance of public safety, **the Sacramento advocates will work with the California State Association of Counties and other appropriate Statewide associations to advocate the County's interests in the development of proposals to reduce the population in the State prison system.**

#### **Healthy Families Program to Begin Terminating Coverage**

The State's Managed Risk Medical Insurance Board, which administers the Healthy Families Program (HFP), voted yesterday to begin terminating health insurance under that program for more than 60,000 children on October 1, 2009. It is estimated that nearly 670,000 children could lose HFP coverage by June 30, 2010. This decision was a result of the \$174.0 million reduction to the HFP when the FY 2009-10 Revised State Budget was enacted last month.

As reported in the July 30, 2009 Sacramento Update, the Department of Health Services indicates that those children no longer eligible for HFP coverage are likely to be eligible for Medically Indigent Medi-Cal with a County share of cost; however, there is insufficient information at this time to determine the number of children enrolling in this program or the potential County costs. The Department of Public Health (DPH) notes that there are currently nearly one million children enrolled in HFP Statewide and over one-third of enrollees are from Los Angeles County. The HFP California Children's Services (CCS) program is State and Federally funded, with no County share of cost. DPH indicates that children disenrolled from HFP who are receiving CCS assistance would very likely become eligible for straight CCS which requires a 50 percent County share of cost. DPH's preliminary estimate suggests that the shift to straight CCS could result in additional County costs of \$13.5 million.

We will continue to keep you advised.

WTF:RA  
MR:VE:er

#### **Attachments**

c: All Department Heads  
Legislative Strategist

**ESTIMATED IMPACT TO LOS ANGELES COUNTY  
FROM THE FY 2009-10 REVISED STATE BUDGET ACT**

<b>Programs:</b>	<b>Governor's May Revision Proposals</b>	<b>Budget Conference Committee (BCC)</b>	<b>Final Legislative Budget <sup>(1)</sup></b>	<b>Revised State Budget Act <sup>(1)</sup></b>
<u>Health</u>				
Medi-Cal Eligibility for Legal Immigrants	(1,100,000)	0	0	0
Healthy Families Program Reduction	(1,500,000)	0	0	(13,500,000)
Disproportionate Share Hospitals Reduction	--	--	--	(6,000,000)
Emergency Medical Services Appropriation	--	--	--	(980,000)
<u>Public Health</u>				
Elimination of HIV/AIDS Treatment and Prevention	(5,890,000)	(5,700,000)	(3,700,000)	(13,500,000)
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(3,900,000)	(7,100,000)	(7,100,000)	(7,100,000)
Proposition 36 Program/Offender Treatment Program	(27,000,000)	(22,100,000)	(22,100,000)	(22,100,000)
Maternal, Child and Adolescent Health Program Reductions	(1,366,000)	? <sup>(2)</sup>	(597,000)	(1,566,000)
CalWORKs Substance Abuse Programs Funding Loss	(16,400,000)	0	0	0
<u>Mental Health</u>				
Mental Health Managed Care Program	(21,000,000)	(21,000,000)	(36,000,000)	(36,000,000)
Mental Health Services Act (Proposition 63) Funds	0 <sup>(3)</sup>	--	--	--
Early Periodic Screening, Diagnosis and Treatment Funds	(7,000,000)	0	0	0
Elimination of the Healthy Families Program	(10,000,000)	0	0	0
CalWORKs Mental Health Services Funding Loss	(24,400,000)	0	0	0
Deferral of AB 3632 Program Payments	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)
<u>Social Services</u>				
Reduced State Participation in IHSS Wages	26,100,000	0	0	0
IHSS Program - Reduction of Recipient Services	200,000,000	10,800,000	10,800,000	10,800,000 <sup>(4)</sup>
Medi-Cal Administration Funding	--	--	--	(36,000,000)
CalWORKs Program Reform & Safety Net Proposals	(27,200,000)	0	0	0
CalWORKs Program Elimination	(389,800,000)	0	0	0
CalWORKs Single Allocation Loss from Program Elimination	(585,200,000)	0	0	0
CalWORKs Single Allocation Projected Reduction	0	(53,300,000)	(114,200,000)	(114,200,000) <sup>(5)</sup>
CalWORKs Caseload Adjustment	0	131,000	131,000	131,000
Cash Assistance Program for Immigrants (CAPI)	(10,300,000)	0	0	0
Child Welfare Services Administration	(14,300,000)	0	0	(1,400,000)
Title IV-E Capped Allocation Waiver	--	--	--	(17,500,000)
Foster Care and Group Home Provider Rate Reductions	13,400,000	12,300,000	12,300,000	12,300,000
Adoptions Assistance Payments	0	100,000	100,000	100,000
Redirection of Sales Tax Realignment Funds	(234,706,000)	0	0	0
Elimination of Community Based Services Programs	(1,100,000)	(379,000)	(379,000)	(1,100,000)
Reduction in Transitional Housing Program Plus Funds	0	(314,000)	(314,000)	(314,000)
<u>Justice and Public Safety</u>				
Judicial Branch Reductions - Sheriff's Department Impact	0	0	(12,600,000)	(12,600,000)
<u>General Government</u>				
Suspension of SB 90 Mandate Claims	(16,853,000)	(28,577,000)	(3,700,000)	(3,700,000) <sup>(6)</sup>
Subventions for Open Space (Williamson Act)	(36,000)	(36,000)	(7,000)	(36,000)
Reduction of Local Share of Gasoline Taxes - Public Works	(109,000,000)	(109,000,000)	0 <sup>(7)</sup>	0
<b>TOTAL</b>	<b>(\$1,280,951,000)</b>	<b>(\$236,575,000)</b>	<b>(\$189,766,000)</b>	<b>(\$276,665,000)</b>

<b>Variance from BCC</b>	<b>\$46,809,000</b>	<b>(\$40,090,000)</b>
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## Notes:

- (1) Estimated County impact does not include the State Prop 1A borrowing of \$301.9 million from the County General Fund and \$59.0 million from Special District Funds.
- (2) There is insufficient information to assess the County impact of this proposal.
- (3) There is no impact because voters rejected Proposition 1E which would have redirected Mental Health Services Act monies to fund State mental health costs.
- (4) This action results in net County cost savings because of reduced IHSS recipient services.
- (5) Impact is based on the \$375 million statewide reduction to the CalWORKs Single Allocation. It does not account for the proposed May Revision increased allocation.
- (6) Estimate is based on FY 2007-08 SB 90 Mandate Claim amounts excluding law enforcement, Open Meeting Act, and election reimbursement claims.
- (7) The proposal to reduce the local share of gasoline taxes was part of the FY 2009-10 Final Budget Agreement but it died in the Assembly Floor on July 24, 2009.

*This table represents the estimated loss/gain of State funds based upon the May Revision, Budget Conference Committee, Final Legislative and Revised State Budget Act. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.*

**FY 2009-10 Revised State Budget Act  
Fiscal Impact to the County**

**General Government**

**Proposition 1A of 2004 Suspension.** The FY 2009-10 Revised State Budget Act allows for the borrowing \$1.935 billion from local governments through the suspension of the Protection of Local Government Revenues Act of 2004 (Proposition 1A). **We estimate an impact of at least \$301.9 million in property tax revenues for the County General Fund, \$44.0 million to the Fire Department – Special District Fund, \$4.6 million to the Library Special District, and \$10.4 million to the County Special Districts for flood control, lighting, garbage disposal, and water works. The overall estimated County impact is \$360.9 million.**

However, the budget trailer bill includes a securitization mechanism that allows local governments to establish a joint powers authority to issue bonds backed by the State's Proposition 1A repayment obligation to investors. The proceeds from the bond sale would be used to replace diverted property taxes from local governments and special districts that choose to participate. The securitization of property tax revenues is expected to help avoid any actual reductions to the County.

**Redevelopment Agencies (RDAs).** The FY 2009-10 Revised State Budget Act transfers \$1.7 billion in the current year and \$350.0 million in FY 2010-11 from redevelopment agencies to counties for allocation to K-12 schools and shifts an equivalent amount of existing property tax revenue from those schools into the Supplemental Revenue Augmentation Fund to offset State General Fund costs. RDAs may then extend their projects by one year, without making a finding of blight, when they meet their payment obligation for FY 2009-10. **It is estimated that the County General Fund would lose approximately \$313.0 million (net present value) in future years based on the one-year extension.**

**Suspension of SB 90 State Mandates.** The FY 2009-10 Revised State Budget Act suspends a number of local government mandates with the exception of certain mandates of County interest including: 1) all election mandates; 2) the Open Meeting Act; and 3) the Sexually Violent Predator Program. The May Revision proposed to suspend almost all reimbursable mandates, except those related to public safety, law enforcement, and property tax distribution. **Based on the FY 2007-08 mandate claims reimbursements, the Auditor-Controller estimates that the proposed suspension of SB 90 Local Government mandates will result in an estimated County loss of \$3.7 million in FY 2009-10.**

**Williamson Act Open Space Subventions.** By the Governor's veto, the FY 2009-10 Revised State Budget Act suspends subventions to local governments under the Williamson Act, for a State General Fund savings of \$34.9 million. **The Agricultural**

**Commissioner/Weights and Measures indicates that this action will result in an estimated loss of approximately \$36,000 to the County.**

## **Health**

**Medi-Cal Reduction Due to Increased Federal Funding.** The FY 2009-10 Revised State Budget Act reduces up to \$1.0 billion from the State General Fund upon receipt of increased Federal funds for Medi-Cal. The Department of Health Services (DHS) indicates that this proposal will affect two of the proposed solutions to address the Department's projected budget deficit for FY 2009-10: 1) the Federal Medical Assistance Percentage increase on the Safety Net Care Pool Fund that DHS expected to receive from the American Recovery and Reinvestment Act of 2009; and 2) recapture of a portion of the \$360.0 million which remains in the current State Medi-Cal Waiver. **Because the State plans to retain 100 percent of these funds, DHS anticipates that \$70.0 million from FMAP and \$97.0 million from the existing State Medi-Cal Waiver will not be available as potential solutions to address the Department's projected FY 2009-10 budget deficit.**

**Healthy Families Program (HFP).** The FY 2009-10 Revised State Budget Act reduces State General Fund support for HFP by \$174.0 million. The Department of Public Health (DPH) notes that currently nearly one million children are enrolled in the HFP statewide and over one-third of all HFP enrollees are from Los Angeles County. A wait list has been imposed for HFP, which will deny health care coverage to at least 84,000 Los Angeles County children and at least another 100,000 currently enrolled children would be likely to lose coverage from November 2009 through June 2010. It is not possible to determine how many children currently enrolled in HFP are receiving California Children's Services (CCS) assistance. The HFP CCS Program is State and Federally funded, with no County share of cost. Children disenrolled from HFP CCS would very likely become eligible for straight CCS with a 50 percent County share of cost. **DPH preliminary estimate suggests that the shift to straight CCS could result in additional County costs of \$13.5 million.**

**Disproportionate Share Hospitals (DSH).** The FY 2009-10 Revised State Budget Act reduces payments to private DSH by 10 percent for a State General Fund savings of \$18.4 million. **The Department of Health Services estimates that the reduction of payments to private DSH hospitals will result in a loss of \$6.0 million to the Department.**

**Emergency Medical Services Appropriations.** The FY 2009-10 Revised State Budget Act reduces \$24.8 million in Proposition 99 Tobacco Tax funds from the Emergency Medical Services Appropriation (EMSA). The EMSA funds the County Physician Services for Indigents Program (PSIP) and Trauma Physician Program which provide reimbursement to private physicians for provision of emergency services to indigent patients in non-County emergency departments. DHS indicates that this reduction will result in the loss of \$9.8 million to the County's PSIP and Trauma Physician programs, which is over 30 percent of the total funding available for those



programs. In addition, DHS estimates that this will result in a County loss of approximately \$980,000 to offset administrative costs for management of the program.

### **Public Health**

**HIV/AIDS Treatment and Prevention Programs.** By the Governor's veto, the FY 2009-10 Revised State Budget Act reduces funding for the AIDS Drug Assistance Program and other Office of AIDS Programs by \$87.1 million effectively eliminating all State General Fund support for HIV/AIDS programs with the exception of some funding for the AIDS Drug Assistance Program. **DPH indicates that this will result in an estimated total loss of \$13.5 million to the County and local agencies with which the County partners to provide services.**

**Drug Medi-Cal.** The FY 2009-10 Revised State Budget Act reduces Drug Medi-Cal rates by 10 percent for a State General Fund savings of \$8.8 million. **DPH estimates that this will result in a loss of \$7.1 million to the County, including Federal funds.**

**Proposition 36 and Offender Treatment Program.** The FY 2009-10 Revised State Budget Act eliminates \$90.0 million in State General Funds for the Proposition 36 Substance Abuse and Crime Prevention Act and rejects the proposal to reduce \$18.0 million in State General Funds for the Offender Treatment Program (OTP). Federal Edward Byrne Memorial Justice Assistance Grant funds are expected to be used to provide similar services to make up about half of the reduction that is sustained here. **DPH indicates elimination of Proposition 36 funds will result in a loss to the County of \$22.1 million. If the backfill of Federal funds occurs, the loss to the County could be reduced to approximately \$11.0 million. It is unclear if the County would be eligible for OTP funds.**

**Maternal, Child and Adolescent Health (MCAH)/Black Infant Health Programs.** The FY 2009-10 Revised State Budget Act makes the following reductions: Black Infant Health Program (\$3.9 million, which includes \$3.0 million vetoed by the Governor), Adolescent Family Life Program (\$1.75 million), Local County Maternal and Child Health Grants (\$2.1 million), and MCAH State support (\$3.5 million). **DPH estimates that this will result in an estimated loss of \$266,000 to the MCAH Program, and an estimated loss of \$1.3 million to the Black Infant Health Program for a total estimated County impact of \$1.566 million.**

### **Mental Health**

**Mental Health Managed Care.** The FY 2009-10 Revised State Budget Act reduces funding for Mental Health Managed Care by \$113.0 million. **The Department of Mental Health (DMH) estimates that this action will result in a County loss of \$36.0 million.**

**Deferral of AB 3632 Mandate to Counties.** The FY 2009-10 Revised State Budget Act defers 50 percent of the State's payment to counties for AB 3632 claims for a savings of \$52.0 million. The Legislative Analyst's Office indicated that this proposal would underfund the mandate to counties by \$108.0 million; and, if the State did not suspend the mandate, counties could file a lawsuit against the State and no longer be required to carry out the AB 3632 mandate. **DMH indicates that this action will delay approximately \$12.4 million in reimbursements due to the County.**

### **Social Services**

**CalWORKs Single Allocation Reduction.** The FY 2009-10 Revised State Budget Act reduces funding for the CalWORKs Single Allocation statewide by \$375.0 million from the funding level proposed in the May Revision. **The Department of Public Social Services (DPSS) estimates the County share of the reduction is \$114.2 million in FY 2009-10.** Because the FY 2009-10 County Budget does not reflect the proposed May Revision funding level, the reduction to the DPSS budget would be an amount less than \$114.2 million.

**CalWORKs Caseload Reduction.** The FY 2009-10 Revised State Budget Act adjusts the CalWORKs caseload growth estimate from 15.5 percent to 13 percent for a State General Fund savings of \$17.5 million. **DPSS estimates that this action will result in a County savings of \$131,000.**

**Medi-Cal Administration Funding.** By the Governor's veto, the FY 2009-10 Revised State Budget Act reduces State General Fund support for Medi-Cal administration by \$60.5 million. **DPSS estimates that this action will result in a County loss of approximately \$36.0 million.**

**In-Home Supportive Services (IHSS) – Reduction of Recipient Services.** The FY 2009-10 Revised State Budget Act eliminates IHSS domestic and related services for recipients who require minimal assistance, with no reduction for consumers receiving paramedical services, protective supervision, and/or at least 120 in overall IHSS service hours per month. **DPSS estimates this will result in an estimated annual net County cost savings of \$8.3 million.** The Budget Agreement also eliminates all IHSS services for recipients who are the least functionally impaired, except for those with paramedical services or protective supervision and/or at least 120 in overall IHSS service hours per month. **DPSS estimates this will result in an estimated annual net County cost savings of \$2.5 million for a total estimated savings of \$10.8 million.**

**Child Welfare Services Administration.** By the Governor's veto, the FY 2009-10 Revised State Budget Act reduces funding for Child Welfare Services Administration by \$80.0 million. **According to the Department of Children and Family Services (DCFS), the estimated loss to the County's non-waiver programs is \$1.4 million.**

**Title IV-E Capped Allocation Waiver.** By the Governor's veto, the FY 2009-10 Revised State Budget Act reduces funding to Los Angeles and Alameda Counties for the Title IV-E Capped Allocation Waiver by \$19.0 million. The County will continue to receive Federal Title IV-E funds. **The estimated loss to the County is \$17.5 million.** Of this amount, the reduction to DCFS is \$17.3 million; the reduction to the Probation Department is \$0.2 million.

**Reduction in Foster Care Rates.** The FY 2009-10 Revised State Budget Act reduces provider rates for Group Homes, Foster Family Agencies, Supplemental Clothing Allowance, and Specialized Care Increment by 10 percent for a State General Fund savings of \$26.6 million. **According to the DCFS, this action results in an estimated savings of \$8.0 million to Waiver programs, and estimated savings of \$4.3 million for non-Waiver programs for a total savings of \$12.3 million.**

**Adoption Assistance Program (AAP).** The FY 2009-10 Revised State Budget Act authorizes increases in AAP payments based on need rather than providing automatic increases based on the age of the child for a State General Fund savings of \$900,000. **DCFS estimates that this will result in an estimated County savings of \$100,000.**

**Transitional Housing Program Plus (THP-Plus).** The FY 2009-10 Revised State Budget Act reduces funding for THP-Plus by \$5.0 million. This program provides supportive services to assist emancipated foster youth to successfully transition to adulthood. **DCFS indicates that this will result in an estimated annual County loss of approximately \$314,000.**

**Community-Based Services Programs.** By the Governor's veto, the FY 2009-10 Revised State Budget Act eliminates Community-Based Services programs which provides funding for Alzheimer's Day Care Resource Centers and the Linkages Program. **Community and Senior Services estimates this action will result in a County loss of approximately \$1.1 million.**

#### **Justice and Public Safety**

**Judicial Branch Reductions.** The FY 2009-10 Revised State Budget Act approves a \$169.0 million reduction to the Judicial Branch, in addition to previous cuts that totaled approximately \$414.0 million. The additional reduction would require the implementation of a one-day per month court closure, redirection of funds designated for court initiatives such as information technology projects and construction, utilization of trial court reserves, and various increases to court fees. **The Sheriff's Department indicates that this will result in an estimated County loss of \$8.0 million due to the reduction in courtroom security services related to the court closure, and an estimated loss of \$4.6 million due to the elimination of the reimbursement of retiree health care costs for court security personnel for a total estimated loss of \$12.6 million.**

## **Transportation**

**HUTA Deferral.** The FY 2009-10 Revised State Budget Act defers HUTA payments from July through December 2009 until after January 2010, **which Department of Public Works (DPW) estimates will result in a delayed gas tax payment to the County of approximately \$58.0 million.**

**Proposition 42 Local Streets and Road Funds.** The FY 2009-10 Revised State Budget Act adopts the Governor's proposal to defer two quarterly payments to counties of Proposition 42 funds to be repaid in May 2010. **According to DPW, the impact to the Department is a delayed payment to the County of approximately \$27.0 million for both quarters (\$13.5 million each quarter).**

**SEPTEMBER 2008 CSAC SURVEY ON COUNTY IMPACTS OF A PRISON  
POPULATION CAP OR EARLY RELEASE OF STATE PRISONERS**

1. Please describe how an early release of state prisoners would affect your county mental health department. Please include any information regarding how many clients you serve, cost, the ratio of case managers, social workers and psychiatrists to clients, the length of any waiting lists and the number of vacant positions you have within your county. If you contract out services to community based agencies please note this information. (Assume 20% of inmates released into your county would require mental health services.)

**Department of Mental Health**

The Los Angeles County Department of Mental Health (DMH) provided services to 196,000 children, transitional age youth, adults and older adults last fiscal year. Calculating an average cost per client would be misleading and unreliable because of the great variation in number and intensity of services provided. While DMH may see some individuals only once, the department also treats many seriously mentally ill individuals who use a full range of high intensity and costly services such as hospitalization, placement in a locked facility, long term case management, conservatorship, use of multiple medications, and crisis response.

Similarly, the ratio of case managers, social workers and psychiatrists to clients varies from program to program and from geographic region to region. The department has approximately 4,000 positions and currently there are 670 open positions. It is very difficult to recruit clinicians who are bilingual as needed to meet the diverse cultural needs of the County, including those who are fluent in any of the 13 languages in which DMH is required to provide services. Currently the department has 40 vacancies for psychiatrist positions, 40 vacant psychologist positions and 56 vacant licensed social worker positions.

DMH has crafted a system of care that is regional and that employs directly operated clinics as well as contract agencies in each region. In total, DMH contracts with 233 providers, 15 freestanding psychiatric hospitals and 91 general acute medical facilities with psychiatric units. The contract agencies refer clients who cannot be served back to the directly operated clinic in the region if they are at capacity. The directly operated clinic may, therefore, have a waiting list but this would not apply to a contract agency in the same service area. There is a great variation in waiting times depending on the type of service needed and the level of acuity of the client's need. There is no waiting list for crisis services.

The sudden early release of approximately 13,155 prisoners to Los Angeles County, 20 percent or 2,630 of which are projected to immediately require mental health treatment, would overwhelm the California Department of Corrections and

Rehabilitation Parole Outpatient Clinics, resulting in a cascading impact on the inpatient and outpatient resources of DMH, including mental health services provided in the County jails. This increased pressure would further strain DMH resources, its ability to maintain a balanced budget and to recruit and maintain clinicians, particularly psychiatrists, to meet the additional mental health service needs. With this large number of prisoners with mental illness being released precipitously to the streets, outpatient clinics, both directly operated and contracted, would not be able to meet the demand for emergency services, resulting in interruptions in medication continuity, increased use of County hospital psychiatric emergency and inpatient resources and increased jail recidivism. The County Psychiatric Mobile Response Teams would be unable to handle the increased volume of calls and County hospital psychiatric emergency services and inpatient units that are already operating at capacity could be overwhelmed. Outflow from the inpatient units would also be impacted, resulting in increased lengths of stay on costly inpatient units while awaiting capacity in DMH locked and open residential treatment programs.

Inmates are not eligible for Medi-Cal and SSI while they are in an institution and may therefore return to the community without any benefits. Indigent clients are treated in the directly operated programs and the release of these individuals would greatly increase the strain on the already overburdened clinics that serve indigents. DMH would most likely see a rationing of services to clients throughout the system as it struggled to serve the new inmate population.

Currently the DMH Jail Mental Health Services (JMHS) is responsible for approximately 1,700 male and female inmates in mental health housing and an average additional 675 inmates in general population housing, many of whom are repeat offenders. Mental health housing is always at capacity and in order to serve those most in need, JMHS managers daily triage inmates to maximize the use of these resources. Should there be a precipitous release of State prisoners with mental illness, the recidivism rate would increase due to the many newly released prisoners that, without intensive mental health services and supports, would re-offend or violate terms of parole, placing additional pressure on a system that is already operating at or above capacity.

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2. Please describe how an early release of state prisoners would affect your county alcohol and drug programs. Include any available information regarding cost, county capacity to provide alcohol and drug services, staffing levels and any other pertinent information. (Assume 70% of inmates released into your county would require alcohol and drug treatment services.)

## **Department of Public Health**

Under Parolee Realignment, CSAC estimates that as many as 13,155 parolees may settle in Los Angeles County. This is consistent with the information that Judge Elwood Lui, Settlement Referee, provided at the June 18, 2008, meeting of the Countywide Criminal Justice Coordinating Committee planning meeting. In providing an update on the California Prison Overcrowding Lawsuit and the proposed settlement, Judge Lui projected that 13,000 parolees would be released over a three-year period between 2008 and 2011. Although this timeframe is not clearly stated in CSAC's communications, the Department of Public Health/Alcohol and Drug Program Administration (ADPA) assumes this would still be true. Using the CSAC projection that 13,155 will settle in Los Angeles County and that 70 percent of those persons will have a history of substance use and or abuse, ADPA estimates that 3,150 new parolees will likely require treatment annually.

ADPA currently provides services to parolees under the Parolee Services Network (PSN). State funding for the PSN is \$1.6 million annually, and during FY 2006-07, ADPA served 257 parolees under this program for a six month treatment stay. Using this as the basis for our projection, it costs ADPA \$6,167 to serve each parolee. The nature and intensity of services for parolees is significantly higher than what is required for the normal population. Using the estimate of 3,150 parolees entering treatment each year, ADPA would estimate a minimum cost of \$19.4 million annually to serve these parolees.

ADPA's current treatment network is operating at capacity, with occasional short waiting lists, and cannot serve the projected numbers of additional parolees with existing resources. However, with additional State funding, ADPA would build our infrastructure to serve these new parolees through expanding our network of treatment providers. This significant increase in parolee services would require a commensurate increase in staffing to support our contract management, program monitoring and compliance, and administrative functions.

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3. Please describe how an early release of state prisoners would affect your county health system. Please include any information regarding waiting time at county clinics, shortage of physicians and nurses, costs incurred by treating individuals without any health insurance.

## **Department of Health Services**

Because of the lack of information provided about the released parolees, including what percentage have medical needs, it is impossible to be very specific in answering these questions. This response from the Department of Health Services

is "system" oriented, reflecting both public and private hospitals, as it is impossible to predict where the patients will show up under Emergency Medical Treatment and Active Labor Act (EMTALA) mandates. EMTALA generally obligates a hospital emergency department (ED) to provide emergency medical treatment until a patient is stabilized, or to transfer the patient to another hospital.

Eleven EDs, and in most cases complete hospitals, have closed in Los Angeles County in the last five years alone. Over 2.5 million ED visits are provided by the remaining 74 public and private hospitals with EDs in the County. The EDs and the emergency medical services system have become the point of access for many, leading to an overall crisis in emergency care. Limitations include the shortage of nurses and other technical professionals, which reduces the number of physician specialists willing to be on-call in the EDs, increased waiting times, admitted patients being "boarded" in the ED due to lack of inpatient beds, increased acuity of patients and reduced reimbursement for care.

Although it is unclear how many of the early released parolees have medical needs, lack of financial resources may lead them to seek care in public hospitals, increasing already overcrowded EDs. However, the burden will not end at the public hospitals, patients seeking care may very well go directly to the closest ED, which may be a private ED. Under Federal EMTALA laws, all patients must receive care, at least in the form of a medical screening examination and stabilization. Transfers from private to public hospitals are limited due to lack of capacity. Capacity for clinic services is also maximized to the degree possible with many public or public contracted clinics having lengthy wait times for appointments.

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4. How many parolees currently utilize General Assistance services in your county? Are there other county programs utilized by state parolees? Do you receive any funding from the state to supplement the services you provide to parolees?

#### **Department of Public Social Services**

Los Angeles County's General Relief (General Assistance) Program is funded 100 percent by County funds. The Department of Public Social Services is not aware if the County receives specific funding from the State to supplement the General Relief cash grant or other services for former State prisoners. The County would be significantly impacted by the early release of the projected 13,155 former prisoners because many would be eligible for the General Relief Program. If only 50 percent of the 13,155 former prisoners applied and are determined eligible for General Relief, the County's annual General Relief grant costs would increase by an estimated \$12.0 million. Additionally, an immediate release of the over 13,000 former State prisoners potentially eligible for General Relief would severely impact



the County's capability to provide timely service to those applying for assistance, as well as to those persons receiving assistance.

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5. Are there any other programs and/or service delivery areas, such as housing, which are not listed above that you believe will be significantly impacted? If yes, please explain. Provide any cost information or estimates, if available.

### **Department of Mental Health**

If approximately 2,630 parolees with mental illness were provided early release to Los Angeles County, there would be many challenges for DMH in addressing their housing needs. For example, those on parole cannot be served under programs that receive MHSA funding, according to current State guidelines. With the continued erosion of funding for the traditional mental health system, there are few non-MHSA resources for both mental health treatment and housing services.

Given the limited non-MHSA resources and the general lack of affordable housing in Los Angeles, the challenges to assist this population would be numerous. They include many of these parolees' not being able to afford rent since an average one-bedroom apartment in Los Angeles County costs approximately \$1,000 per month. Should a parolee with mental illness attempt to work to earn money for rent, it can be difficult to obtain employment with a prison record. Parolees can reapply for benefits (SSI, etc.) to help pay rent, but it is a process that can take weeks or even months. However, even with an SSI income, it is very difficult to afford housing unless one lives in an Adult Residential Care Facility or a subsidized apartment. Although parolees can apply for HUD subsidized housing, such as Homeless Section 8 and Shelter Plus Care, both programs require criminal background checks and, depending on the nature of the crimes, they may be denied. Further, the number of available Homeless Section 8 and Shelter Plus Care vouchers for persons with mental health disabilities is vastly insufficient to meet the current need in Los Angeles County. For example, DMH has its own allocation of Homeless Section 8 and Shelter Plus Care for DMH clients: 500 Homeless Section 8 Vouchers and 597 Shelter Plus Care Vouchers. Aside from subsidized housing, there are few safe, available, affordable apartments in the County, and many apartment owners do not want to rent to someone with housing vouchers or criminal histories.

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### **Department of Community and Senior Services**

The Department of Community and Senior Services has determined that based on an inmate's conviction(s), if convicted batterers are released, there would be an increased need for Domestic Violence (DV) shelter services, as well as other DV supportive services to aid victims to escape the batterer.

Assuming most of the early-release prisoners are male and if these male prisoners are themselves DV victims, few DV agencies are well-equipped enough to handle large number of male victims appropriately, thus creating a population without access to needed services.

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### **Department of Public Social Services**

Los Angeles County contracts to provide substance abuse and treatment services to General Assistance participants through the County's Mandatory Substance Abuse and Recovery Program. Using the estimate that 70 percent of the released prisoners and by extension 70 percent of those eligible to General Assistance would need alcohol or drug rehabilitation, then the County's current General Assistance expenditures would increase by an additional \$4.2 million.

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6. How much time do you estimate it would take to build the necessary infrastructure – both the structural and workforce infrastructure – to serve the additional clients discussed in questions 1 through 5? What resources would be required to build this infrastructure and how much do you estimate it would cost?

### **Department of Health Services**

Because of the previously noted closure of EDs and hospital services in the Los Angeles County system, it is impossible to ensure that such services could or would expand for this population specifically. The release of additional parolees that have health care needs simply adds a greater burden to an already overwhelmed health care system.

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## **Department of Mental Health**

Many jurisdictions, including Los Angeles County, have already struggled to respond to the mental health needs of those released from local jails and state prisons. Any plan for early release of State prisoners would need to address funding for mental health services for the anticipated 20 percent of new parolees with mental illness. It is important to understand that, for the most part, these are individuals that have not sought traditional clinic-based mental health services either prior to or post prison terms. Engaging and sustaining these individuals in mental health care has proven extremely difficult. Programs that have demonstrated successful outcomes with decreased recidivism and psychiatric relapse are those that link to services prior to release, provide an intensive array of wrap around services with 24 hours per day, seven days per week availability for emergencies and special programming, have an on-average client to team member ratio of 15 to 1, and include housing and the attendant supportive services.

The level of care provided by the Mental Health Services Act (MHSA) Full Service Partnership (FSP) model provides the best estimate of an average service requirement for this population. Based on our experience with the FSP Program, per person cost would be approximately \$16,000 per year, for a total of approximately \$42 million annually which includes some funding for supportive services such as a portion of housing costs. Such a program would take approximately three years to be fully implemented, contingent upon the allocation of adequate funding, recruitment of necessary staff and establishment of appropriate facilities in communities already concerned about our clients as neighbors.

One option to address State parolees' housing needs is to build more permanent supportive housing. That would take time and is very costly. For example, Los Angeles County currently has \$115 million for capital development and operating subsidies through the MHSA Housing Program. It is projected that this amount will fund operating subsidies for at least 20 years and one-third of the cost of capital development (leveraging is required) for approximately 770 supportive housing units. Proposals for this funding are contingent upon developers being able to put together a complete capital development package and to obtain site control in a County where land costs are high and neighborhood reactions to special needs housing are at times an issue. Based on prior experience, bringing additional supportive housing projects on line could take from three to five years.

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## **Department of Community and Senior Services**

The Department of Community and Senior Services estimates that an additional 200 to 300 female CalWORKs recipients may seek domestic violence services as result

of the early release of State prisoners. This would result in additional estimated costs of \$850,000 to \$900,000 annually. Providing shelter services to the 200 to 300 additional female victims of domestic violence would result in additional costs of approximately \$840,000 annually.

It would take about two years to build the necessary infrastructure to serve male prisoners who are victims of domestic violence, as the current domestic violence contractors do not have the capacity to provide services exclusive to this population. In addition, the County currently does not have any domestic violence shelters to house male victims of domestic violence.

If Los Angeles County was to serve an additional 200 to 300 male victims of domestic violence, the total amount needed to do so would be between \$850,000 and \$900,000 annually. The funds would be needed to expand the current operations to ensure that domestic violence contractors have the capability to provide services to this new population.

Average shelter costs to provide basic domestic violence shelter services for male victims would be \$80,000 annually. Because the County does not currently fund domestic violence shelters for male victims exclusively, we anticipate the need to establish at least two shelters for this purpose at an estimated cost of \$160,000 annually.

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### **Department of Public Health**

The DPH/Alcohol and Drug Program Administration estimates that building the necessary administrative and services infrastructure would take approximately 12 months from the time of grant award. Additional staff would be needed to handle the necessary administrative responsibilities, such as program development, contract administration, and information systems to implement the program in compliance with State requirements. The cost for the administrative responsibilities is estimated to be at least 10 percent of the total program funding, in this case \$1.9 million of the total requested funding. The time estimate also includes the time involved in obtaining internal approval for the additional requested positions needed for administering the project.

Implementation of treatment services requires the following activities: needs assessment, program planning, competitive selection process (request for proposals), contract development, and contract implementation with selected service providers.

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**Department of Public Social Services**

The Department of Public Social Services estimates increased annual General Relief staffing costs of approximately \$4.2 million to address the estimated increase in the GR cash assistance caseload of approximately 6,600 and to provide General Relief Opportunities for Work Program employment services case management for the portion of those we estimate would receive such services.

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